

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



**CORRECTED
FISCAL NOTE**

HB 1805 - SB 2474

March 6, 2018

SUMMARY OF BILL: Exempts low-income persons, military families, and applicants who are between 18 and 25 years of age from initial licensure fees imposed by the health related boards (HRB) and other various professional regulatory boards (PRB).

ESTIMATED FISCAL IMPACT:

On February 26, 2018, a fiscal note was issued estimating a fiscal impact as follows:

*Decrease State Revenue – Exceeds \$1,165,600/FY18-19
Exceeds \$2,331,300/FY19-20 and Subsequent Years*

*Increase State Expenditures - \$285,700/FY18-19
\$502,700/FY19-20 and Subsequent Years*

Other Fiscal Impact - The Health Related Boards had an annual surplus of \$4,526,956 in FY15-16, an annual surplus of \$3,551,254 in FY16-17, and a cumulative reserve balance of \$32,645,083 on June 30, 2017.

The Regulatory Boards had an annual surplus of \$5,725 in FY15-16, an annual surplus of \$2,735,422 in FY16-17, and a cumulative reserve balance of \$26,350,035 on June 30, 2017.

The Department of Commerce and Insurance has provided additional information. The estimated fiscal impact has been corrected as follows:

(CORRECTED)

**Decrease State Revenue – Exceeds \$1,480,600/FY18-19
Exceeds \$2,961,100/FY19-20 and Subsequent Years**

**Increase State Expenditures - \$285,700/FY18-19
\$502,700/FY19-20 and Subsequent Years**

Other Fiscal Impact - The Health Related Boards had an annual surplus of \$4,526,956 in FY15-16, an annual surplus of \$3,551,254 in FY16-17, and a cumulative reserve balance of \$32,645,083 on June 30, 2017.

HB 1805 - SB 2474 (CORRECTED)

The Regulatory Boards had an annual surplus of \$5,725 in FY15-16, an annual surplus of \$2,735,422 in FY16-17, and a cumulative reserve balance of \$26,350,035 on June 30, 2017.

Corrected assumptions:

- Based on information provided by the Department of Commerce and Insurance (DCI) Division of Regulatory Boards (DRB), the DRB received \$3,428,500 in total initial license fees.
- Based on Census.gov, the percentage of people living in poverty in Tennessee is 15.8 percent.
- Given the \$3,428,500 in total initial licensure fees for all licensees, it is estimated 13.9 percent, or \$476,562 ($\$3,428,500 \times 13.9\%$) would represent younger than 25 years of age, at least 15.8 percent, or \$541,703 ($\$3,428,500 \times 15.8\%$), would represent low-income persons and 5 percent, or \$171,425 ($\$3,428,500 \times 5.0\%$), would represent military families who may become licensed.
- The decrease in state revenue is estimated to exceed \$1,189,690 ($\$476,562 + \$541,703 + \$171,425$) in FY19-20 and subsequent years.
- Due to the effective date of January 1, 2019, the decrease in state revenue in the first year (FY18-19) is estimated to exceed \$594,845 ($\$1,189,690 \times 50.0\%$).
- Based on information provided by the Department of Health (DOH), the proposed legislation cannot be accommodated within existing resources. The DOH will require eight Regulatory Board Administrative Assistant 2 positions to review and evaluate licenses in order to waive fees for the appropriate individuals.
- The one-time increase in state expenditures associated with the additional positions is estimated to be \$34,400 (\$12,800 computers + \$21,600 office furniture). All of such expenditures are assumed to be incurred in FY18-19.
- The recurring increase in state expenditures associated with the additional positions is estimated to be \$502,680 (\$313,440 salaries + \$110,040 benefits + \$63,200 administrative cost + \$11,200 communications + \$4,800 supplies). Due to the effective date of January 1, 2019, 50 percent of such expenditures, or \$251,340, will be incurred in FY18-19.
- The total increase in state expenditures to the General Fund is estimated to be \$285,740 in FY18-19 ($\$34,400 + \$251,340$), and \$502,680 in FY19-20 and subsequent years.
- In 2017, the HRB had 28,590 initial licensees. For this analysis we will exclude medical doctors as they would likely be over 25 years of age. There were 1,750 medical doctor license applications. This results in 26,840 applications ($28,590 - 1,750$).
- It is estimated that at least 60 percent, or 16,104 ($26,840 \times 60.0\%$), of new applicants will fall within the proposed requirements. An average initial application of \$110 is estimated for all HRB.
- The recurring decrease in state revenue is estimated to exceed \$1,771,440 ($16,104 \text{ individuals} \times \110) in FY19-20 and subsequent years.
- Due to the effective date, the decrease in state revenue in FY18-19 is estimated to exceed \$885,720 ($\$1,771,440 \times 50.0\%$).

- The total decrease in state revenue is estimated to exceed \$1,480,565 (\$594,845 + \$885,720) in FY18-19, and exceed \$2,961,130 (\$1,189,690 + \$1,771,440) in FY19-20 and subsequent years
- Pursuant to Tenn. Code Ann. § 4-29-121, all health related and regulatory boards are required to be self-supporting over a two-year period.
- The Health Related Boards had an annual surplus of \$4,526,956 in FY15-16, an annual surplus of \$3,551,254 in FY16-17, and a cumulative reserve balance of \$32,645,083 on June 30, 2017.
- The Regulatory Boards had an annual surplus of \$5,725 in FY15-16, an annual surplus of \$2,735,422 in FY16-17, and a cumulative reserve balance of \$26,350,035 on June 30, 2017.
- It is assumed some Health Related and Regulatory Boards may have to raise their current fees in order to remain self-supporting over the two-year period.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

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